



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## MINUTES OF A MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS COMMITTEE

HELD ON  
Tuesday, June 29, 2010  
10:30 a.m., Arizona Time

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Steven Zeman, Chair, called the meeting to order at 10:30 a.m.

### 1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Steven Zeman, Chair  
Mr. Tom Manos, Vice-Chair  
Mr. David Byers  
Mr. Kevin McCarthy

A quorum of the Committee was present for the purpose of conducting business.

### 2. Approval of the Regular Minutes of the April 22, 2010 OC Meeting

**Motion:** Mr. David Byers moved the regular session minutes of the April 22, 2010, OC meeting be accepted. Mr. Kevin McCarthy seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

**Motion:** Mr. David Byers moved the executive session minutes of the April 22, 2010, OC meeting regarding information technology risk management be accepted. Mr. Kevin McCarthy seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

**Motion:** Mr. David Byers moved the executive session minutes of the April 22, 2010, OC meeting regarding the ASRS security audit be accepted. Mr. Kevin McCarthy seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

### **3. Presentation, Discussion and Appropriate Action Regarding the ASRS External Security Audit**

**Motion:** Mr. David Byers moved the Committee adjourn to Executive Session. Mr. Kevin McCarthy seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

The Committee adjourned to Executive Session at 10:34 a.m.

The Committee reconvened to Regular Session at 11:24 a.m.

### **4. Presentation, Discussion and Appropriate Action Regarding the ASRS Proposed Budget Requests for Fiscal Years 2012 and 2013**

Mr. Anthony Guarino gave a brief overview of the materials presented to the Committee regarding the budget requests for Fiscal Years (FY) 2012 and 2013. He then introduced Mr. Russ Levine, Budget Manager, who reviewed FY 2011 appropriations followed by a brief synopsis of the budget requests for FY 2012 and 2013 including requests for additional staff for the Investment Management Division (IMD), additional dollars to address risk management strategies, and additional staff and dollars to continue to enhance technology, automate processes, and address growth in service demand. Ms. Martha Rozen, Chief of Administrative Services, addressed the Committee regarding the Long Term Disability Administration budget request for FY 2012 and 2013.

**Motion:** Mr. McCarthy moved the Operations Committee forward staff's recommendations to the ASRS Board to approve an appropriated budget request for Fiscal Year 2012 in the amount of \$24,441,900 and a budget request for Fiscal Year 2013 in the amount of \$24,434,700 with a possible change in each Fiscal Year due to insurance rates for ADOA-Risk Management. Mr. Tom Manos seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

### **5. Presentation, Discussion and Appropriate Action Regarding the Effect of the National Health Care Reform and Employer Transfers of Covered Retirees to the ASRS**

Mr. Guarino introduced Mr. Patrick M. Klein, Assistant Director, External Affairs Division, who gave the Committee an update on the progress of national health care reform. He provided a brief summary and time frame of some provisions included in the federal legislation for this year as well as their impact on the ASRS. The provisions included the establishment of a national high-risk health insurance pool, dependent children coverage being extended to age 26, the elimination of lifetime limits and cancellation of coverage, narrowing the Medicare Part D prescription drug coverage gap, the reduction of payments to hospitals, home health agencies, nursing homes, and hospices, and the prohibition of insurers denying coverage to children under the age of 19 with pre-existing conditions. He also gave a brief overview of provisions occurring from 2011 to 2020.

Mr. Klein then led a discussion regarding the effect on ASRS health insurance premiums by allowing non-ASRS employers to transfer covered retirees to the ASRS insurance program and by accepting enrolled retirees from ASRS employers that cancel their retiree health insurance programs.

**6. Presentation, Discussion and Appropriate Action Regarding the Contract Renewal for Sedgwick CMS, the ASRS Long Term Disability (LTD) Income Plan Claims Administrator**

Mr. Klein addressed the Committee regarding the contract renewal for Sedgwick CMS for the coming shortened plan year, August 1, 2010 through June 30, 2011. He stated that this was the final year of the five-year contract between the ASRS and Sedgwick and that Sedgwick had requested a 3% adjustment to its monthly administrative charges for the final year. Mr. Klein said ASRS staff thought the adjustment was appropriate.

**7. Presentation, Discussion and Appropriate Action Regarding the ASRS Flexible Benefits Program**

Ms. Rozen gave a brief presentation to the Committee regarding the ASRS flexible benefits program. She stated the program was started in response to legislation that repealed the performance pay program and legislation that established six furlough days a year in FY 2011 and FY 2012. Ms. Rozen reviewed the annual leave payout program which permits full-time employees to be paid for up to four hours of annual leave per pay period, and the personal leave program, which permits full-time employees to convert up to 50 hours of accrued sick leave to personal leave.

**8. Review of Recently Conducted Audits**

- **Refunds**

Mr. Bernard Glick, ASRS Chief Internal Auditor, presented the Committee with the audit of ASRS refund processing. Mr. Glick addressed the audit finding regarding controls in place to prevent ASRS employees from filing invalid claims on dormant accounts.

**9. Presentation, Discussion and Appropriate Action Regarding 2010 Employer Self Audits**

Mr. Glick gave a brief presentation regarding 2010 employer self audits. He said that 15 self audits had been requested by various employers and 10 had been received by the ASRS. Mr. Glick stated the self audits identified more than 70 new contributors and the agency had collected in excess of \$69,000 in matching contributions and interest from the employers.

**10. Request for Future Agenda Items**

1. Committee members requested Mr. Glick report back to the Committee with findings regarding their internal security audit.

2. Mr. Byers requested a discussion on IMD fees and appropriations.

### **11. Call to the Public**

No members of the public addressed the Committee.

### **12. Adjournment of the OC**

Mr. Steven Zeman adjourned the meeting at 12:59 p.m.

Respectfully Submitted by,

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Zachary Kucera  
Committee Secretary

Date

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Anthony Guarino  
Deputy Director and Chief Operations Officer

Date